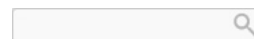



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Unemployment program now running under new NC law

By GARY D. ROBERTSON
Associated Press

RALEIGH, N.C. (AP) -- Most disputed jobless benefit cases in North Carolina are heard by legal referees behind closed doors within a maze of hallways wide enough for gurneys - a reminder that the Division of Employment Services uses buildings that once housed Rex Hospital.

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But the agency's new leader is hopeful the bureaucratic labyrinth that's ailed North Carolina's unemployment benefit program for years can slowly get straightened out after years of poor marks.

During Dale Folwell's short tenure, his office has managed to unclog the phone systems at its Raleigh and Charlotte call centers, replacing repeated busy signals with most calls being answered in less than a minute. Folwell says there's a renewed emphasis on ensuring displaced workers are getting accurately paid benefits or denying them when they don't qualify.

The division's nearly 700 workers are also carrying out this year's overhaul of the state's unemployment insurance laws. While critics argue the changes disproportionately hurt workers, Folwell says they promote the uniform and efficient use of taxpayer dollars.

"Our focus is on the first 15 days in the life of a claim and the first 15 minutes in the life of every phone call," Folwell said. "We feel like that if we can get those things right, then maybe for the first time, our emphasis will be on doing things correctly, not just quickly. And we think that serves the needs of our customers."

Folwell, a former House member, will be in the spotlight later this week as he speaks to a General Assembly oversight committee about how the overhaul law passed by Republican legislators in February and signed by Gov. Pat McCrory is being implemented.

A year ago, the state owed the federal government more than \$2.5 billion it used to help pay worker benefits that quickly drained unemployment tax revenue as a flood of jobless workers entered the system during the Great Recession. The legislature's medicine to nurse back the system included both higher taxes for employers and benefit reductions for the unemployed so that the debt would be repaid in 2015, three years earlier than with no changes.

"Our goal was to provide some financial stability and integrity to the unemployment insurance system," said Sen. Bob Rucho, R-Mecklenburg, a co-author of the legislation.

Tax increases for employers don't take effect until early next year, but newly unemployed workers have felt the sting of the changes more acutely.

Those who filed initial unemployment claims after June 30 have a \$350 cap on weekly cash benefits, compared to \$535 under the old rules. The maximum number of weeks for state benefits now ranges from 12 to 20 weeks, compared to the previous 26 weeks. In addition, extended federal emergency jobless benefits ended because the state changed its benefit structure, affecting immediately an estimated 70,000 people who had already exhausted state benefits.

"It was not a very balanced approach to repay this debt," said Bill Rowe with the North Carolina Justice Center, which advocates for the poor. While pleased with call center improvements, Rowe said he hopes legislators will consider easing the burdens on the unemployed with future legislation.

There was plenty of finger-pointing over how the state came to owe so much. Business groups blamed expanding benefits. GOP legislators such as Rucho said they weren't alerted to the scope of the problems sooner by Democratic Gov. Beverly Perdue's administration. Worker advocates said the legislature should have raised employer unemployment insurance tax rates after rate cuts in the 1990s.

Folwell, hired as assistant secretary for the division shortly after the overhaul became law, is looking ahead to "how are we going to prepare the agency for the next recession, because obviously it wasn't prepared for the last one."

Among other items, the new law removed some reasons why an employee could quit work and still receive benefits. Employers with routine furloughs for workers expected to return to the job will have to prepay benefits and face severe limitations.

The debt owed the federal government is now just under \$2 billion as of last week, which the division attributes largely to a decline in the unemployment rate. The division distributed \$75 million to 74,500 claim recipients during August, or about 25 percent less than August 2012. The debt reduction should accelerate as the new tax rates take effect in early 2014.

An annual interest payment due by Monday on the debt will be \$62 million, down from \$84 million last year.

Folwell, a Republican who ran unsuccessfully for lieutenant governor in 2012, was known as a problem solver during his eight years at the General Assembly.

Now he many face his largest challenge to reverse shortcomings in an agency that for years has ranked consistently nearly the bottom of the list of states on some core performance measures tracked by the U.S. Labor Department. In one category, where 75 percent is a passing grade, North Carolina scored a 12 for the three months ending June 30.

While Folwell said some low scores are attributable to the sheer size of the state and its unemployment rolls, he was optimistic the agency's workers can restore

the health of the division. "We think we have the opportunity to be one of the best performing states."

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